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SUBJECT: CUBA INCREASES SOCIAL SECURITY BENEFITS

Classified By: COM: Michael E. Parmly: For reasons 1.4 b/d

¶1. (U) SUMMARY: Official media announced on April 27 that starting in May the government will increase pensions and social assistance disbursements by 20%. In addition, the GOC will increase court/district attorney salaries by as much as 55%. According to the GOC statement, salary increases will be extended progressively to other sectors as economic conditions improve. Separately, a special 5% social security contribution, which is deducted from salaries and currently affects few workers, will be expanded gradually to other sectors. End summary.

¶2. (U) Factoring in the 20% increase, government pensions will now range from a minimum of 164 Cuban national pesos (CUP) (USD 7.38) to a maximum of 400 CUP (USD 18). The average Cuban salary is about USD 17. Social assistance disbursements, received by the poorest families, will increase from 122 CUP (USD 5.49) to 147 (USD 6.62). All together, according to the GOC, the increase will benefit close to 2.2 million Cubans.

¶3. (U) The GOC further announced a salary increase for judiciary workers, especially those of judges and prosecutors. The measure will affect more than 9,000 employees, whose average salaries will go from 360 CUP (USD 16.20) to 559 CUP (USD 25.16).

¶4. (SBU) All Cuban employers and the GOC -- which employs more than 90% of the workforce -- pay a 9% social security contribution per employee. Employees in a few sectors where salaries are higher and better linked to productivity -- such as GOC companies under the "enterprise optimization" program and some joint ventures -- already have a special 5% social security contribution deducted from their salaries. The GOC statement announced that it plans to expand this practice gradually to other sectors as economic conditions improve and salaries increase.

¶5. (C) Comment: Although working Cubans often make additional money with informal jobs or thanks to remittances, many retirees depend on their pensions. They will be far from satisfied but will definitely appreciate the slight increase. Increasing court salaries, especially those of judges and prosecutors could be a pre-emptive measure. Given the GOC's latest limited economic liberalization measures and the possibility that more may be coming, it seems logical to

bolster a court system which could be vulnerable to corruption in the presence of new wealth and could easily become a liability. Further salary increases in other sectors will depend strictly on GOC priorities and available funding -- which is extremely limited. The additional social security tax will probably provoke grumbling as it is introduced, but Cubans will have little choice but to accept it.

PARMLY